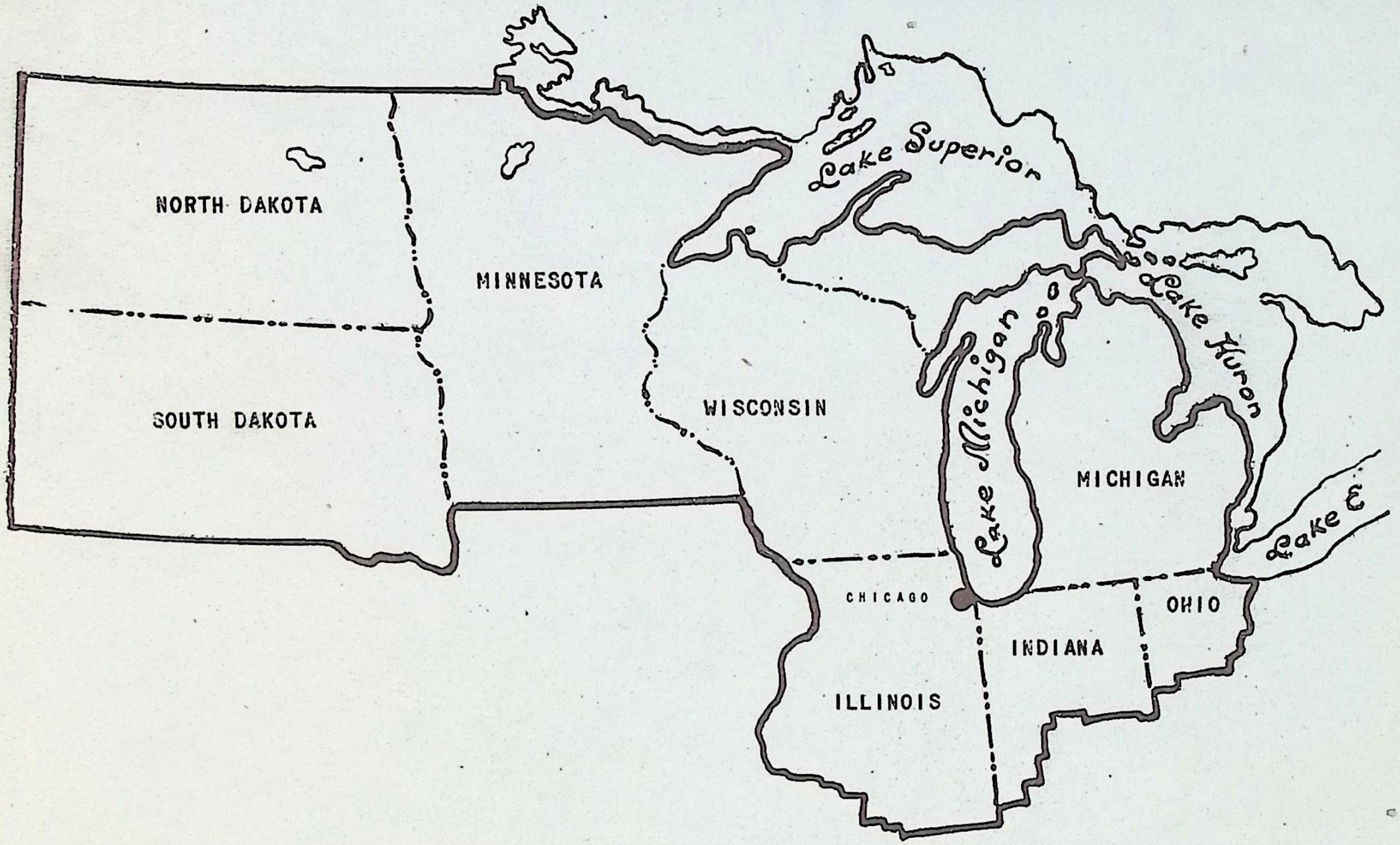
CHICAGO REGION

OPERATIONS DIGEST

FEBRUARY 15, 1948



PREPARED

BY

ORGANIZATION and METHODS DIVISION

REPORTS CONTROL BRANCH

Table 1
Operating Statement
Consumer & Capital Goods
January 1947-January 1948

1947	End-of-Month Inventory $	Acquisitions $	Disposals $	Recovery Rate %
January	308,887,000	2,627,000	37,438,000	26
February	318,538,000	29,167,000	19,515,000	21
March	308,477,000	12,362,000	22,417,000	22
April	306,313,000	20,623,000	22,786,000	18
May	284,432,000	-1,145,000	20,732,000	14
June	274,975,000	23,954,000	33,407,000	11
July	177,716,000	-70,024,000	27,234,000	14
August	242,052,000	83,660,000	19,320,000	16
September	245,071,000	23,645,000	20,622,000	16
October	239,436,000	12,089,000	17,725,000	15
November	216,706,000	-2,137,000	20,582,000	11
December	186,889,000	-1,153,000	28,669,000	16
1948				
January	129,621,000	-43,577,000	13,694,000	15

Inventories

Although Region V received $18 million of property through new declarations in January, offsetting transactions of $62 million resulted in negative net acquisitions of $44 million for January. These offsetting transactions which reduced the IBM inventory were: (1) an elimination of $20 million of duplicate listings of property from the inventory records made in the process of reducing the "98" account, (2) a transfer of $20 million of inventory in warehouses #7 and #12 to the Minneapolis region, (3) a net transfer of $17 million of inventory into the "suspense inventory" account, (4) owning-agency withdrawals of $5 million.

Disposals

Region V disposed of less property in January ($13.7 million) than in any month since September 1946. Sales comprised $8.1 million of this total and transfers to the armed forces under the JANMAT program $4.6 million. Miscellaneous disposals, including transfers to other government agencies, accounted for the remaining $1 million.

Over-the-counter sales to veterans in the last 3 months have averaged only 1% of total disposals (at acquisition cost) made by the Customer Service Center. The average purchase at over-the-counter sales has ranged between $5 and $10 (at selling prices).

In the 6-month period, July-December 1947, Region V transferred, without charge, $49 million of capital and consumer goods to other federal agencies. The army and navy acquired $33 million of this total under the JANMAT program while the Department of Interior acquired $9 million of troop-sleeping cars for use on the Alaskan railroad. An additional $4 million was transferred to the Federal Works Agency for use primarily in connection with the "G.I." education program.

Recovery Rate

The regional recovery rate of 15% in January closely approximated the recovery rate of the past 6 months. If scrap, aircraft, and electronic sales, which realized low recovery rates, are excluded, the over-all recovery rate for January increases to 22%. Fourteen (14) sales sections had recovery rates ranging from 30% to 75%.

Target

Region V fell 40% short of its $23 million January disposal-target established by the Zone office under the Fifth Operational Program. If the region is to make up this deficiency and attain its $75 million disposal-target for the January-March period, its disposals will have to average $31 million per month in February and March. In only one month in the last year, June 1947, did regional disposals reach this level.

It is noteworthy that Region V was the only region in Zone 3 to miss its January disposal-target. Other regions not only attained their targets but exceeded them by wide enough margins to make up the deficiency in Region V and to push Zone 3 disposals above the Zone disposal-target.

Offerings

For the last four months the inventory offered for sale by Region V has continuously declined, the totals for each month being: October $82 million, November $41 million, December $23 million, January $11 million. This low level of offerings, as compared with other regions, is primarily responsible for Region V's poorer disposal record as compared with other regions. Preliminary reports indicate that the total amount of inventory offered for sale in February by Region V will show no substantial improvement over January. For this reason it may be expected that February sales will again be low.

Status of Inventory

Region V's repeated failure to meet its disposal targets can be traced to the fact that 90% of the inventory is not available for programming and sale. Of the $158 million inventory for which the region was accountable on February 6 only $16 million was offered for sale or being programmed for sale. This $16 million consisted of $8 million currently on sale, $4 million held by the Customer Service Center and scheduled for future sale, and $4 million being programmed by the Office of General Disposal. The remaining $142 million was distributed as follows:

(1) $52 million was frozen for the warehouse deactivation program.

(2) $37 million was held for reconciliation by the Accounting Division in its "98" and "suspense" accounts.

(3) $33 million represented inventory that had recently been disposed of but on which disposal-documentation had not been completed. Of this $33 million, $27 million represented JANMAT disposals. However, documentation cannot proceed on most of this $27 million until the armed-forces issue shipping instructions covering this property.

(4) $17 million represented various Washington and other freezes not covered in any of the above categories.

(5) $3 million was being reviewed by the armed-forces for possible inclusion in the JANMAT program.

Clearly, if Region V is to come close to its disposal-targets in the next several months, a greater amount of inventory must be freed for programming and sale, and the documentation of JANMAT disposals must be accelerated.

Personnel

Regional personnel stood at 2,106 on January 31, a net reduction of 135 employees as compared with December 31. This was the largest reduction of any month in the last 3 months. Total personnel has been cut approximately in half in the last year.

During the year 1947 Region V lost slightly more than one working day per employee per month through sick-leave. Total sick-leave taken in 1947 exceeded sick-leave earned by 17%. Since only 34% of all

persons employed by the region during 1947 took sick-leave, many individual employees obviously took far more sick-leave than they earned during 1947. They did this by drawing upon sick-leave earned but not taken in government employment prior to 1947.

Approximately 70% of the annual-leave earned during 1947 was taken prior to December 27. Accumulated annual-leave held by regional WAA employees at the beginning of 1948 amounted to 760,000 hours. Valued at the average hourly salary-rate, this accumulated annual-leave represents a government liability of $1 million.

Income & Espense

Table 2
Income & Expense
January 1948

	Millions of $
Total Income	
Capital & Consumer Goods Sales	$1.21
Real Property Sales	4.39
Rents & Interest	0.70
Total	$6.30
Total Expense	
Salaries & Wages	$0.74
Plant Clearance	0.09
Miscellaneous Contractual Services	0.05
Supplies & Materials	0.04
Protection & Maintenance of Property	0.03
Rents & Utilities	0.03
Reimbursements to Owning Agencies	0.02
Other	-0.12
Total	$0.88
Excess of Income over Expense	$5.42

Regional net income in January ($5.4 million) was the highest in the last 9 months. The largest income from real property sales since April 1947 primarily accounted for this higher level of total income. Most major expenses (funds obligated) declined in January as compared with December. However, too much significance should not be given to this decline. December was the end of one fiscal quarter and January was the beginning of the next, and occasionally end-of-quarter adjustments in the funds-obligated account distort the changes in this account from the end of one quarter to the beginning of the next.

The transfer of warehouses #7 and #12 to the Minneapolis region was chiefly instrumental in causing the minus $120,000 for the "other" expenses category. In January the cumulative obligations ($207,000) from July 1, 1947, to January 31, 1948, for these two warehouses were transferred to the Minneapolis region. Omitting this transaction, funds obligated for warehouse costs amounted to $78,000 in January.

Again in January, different sales sections made vastly different contributions to the income from capital and consumer goods sales. One sales section, steam equipment, which held 2% of the total IBM inventory on January 1, contributed 32% of the total January income from capital and consumer goods sales. On the other hand, 48 other sales sections, holding 37% of the IBM inventory, contributed only 5% of the January income from capital & consumer goods sales.

During the last 6 months, Region V has transferred without charge or sold at a discount to federal, state, and local government bodies and to private non-profit institutions consumer and capital goods having a market value of $6.9 million. Since these agencies and institutions paid only $0.3 million for this property, Region V's contribution to the public welfare amounted to $6.6 million. Federal government agencies benefited most from this program, receiving approximately 80% of the goods transferred. One transfer of troop-sleeping cars to the Department of Interior comprised slightly more than one-half of the total dollar value of goods transferred to all federal agencies in this period. The transfers cited above do not include the machine tools transferred to the armed forces under the JANMAT program.

Region V is likely to realize a net income of approximately $4 million in the next 5 months from the disposal of its present capital and consumer goods inventory of $130 million. This estimate is based on the following facts and assumptions:

(1) $27 million of the $130 million IBM inventory represents machinery which JANMAT representatives have tagged for the armed-forces standby program. When disposal-documentation has been completed on this $27 million, the IBM inventory will be reduced without any increase in regional income.

(2) Reconciliation operations will eliminate an estimated $25 million of "water" from the present IBM inventory. This adjustment will, of course, make no contribution to regional income.

(3) An estimated $25 million of inventory will be transferred to other government agencies without charge.

(4) The region will realize about a 15% recovery rate on the remaining $53 million of inventory or a gross income of $8 million.

(5) Estimated regional expenses, chargeable to the consumer and capital goods inventory, over the next 5 months will approximate $3.5 million or $0.7 million per month.

No allowance is made in the above analysis for the scheduled absorption of the Detroit and Minneapolis regions by the Chicago region before July 1.

Claims

Unsettled customer claims increased to 701 on January 31 as compared with 499 on December 31. This increase arose from a revision of reporting procedure concerning claims rather than from an increase in the backlog of work on claims. Under the revised reporting procedure, the Claims Division will include in its work-load report reopened claims and customer appeals on decisions made by the regional Claims Division. Prior to January, reopened claims and customer appeals had not been reported as part of the backlog of total unsettled claims. The change in reporting procedure added 200 cases to the regional backlog of unsettled claims for January 31.

Apart from customer appeals and reopened claims, Region V both received (123) and settled (133) fewer claims in January than in any month in the last year. Overpaid customer accounts also increased to 791 on January 31, the highest level of any month in the last 6 months.

Complaints

On February 6, Region V had 112 customer complaints pending, the lowest number outstanding in the last 4 months. At the recent settlement rate, this represents less than one week's backlog of work.

Outlook for Region V

The general market for industrial equipment and machine tools, Region V's largest category of property, will decline from 5% to 10% in the January-March 1948 period as compared with the October-December 1947 period. Although private machine-tool manufacturers still have a backlog of orders amounting to 4 months' production, this backlog is now 35% to 50% smaller than it was a year ago and many machine-tool manufacturers are operating below capacity. Private machine-tool manufacturers are depending upon a strong export market to maintain their production and sales at a high level in 1948. Recent price increases on new machine tools, averaging 7-1/2%, should stimulate somewhat the sale of surplus machine tools. However, the generally poorer selection of surplus property available for sale, as the months pass, may offset the stimulus to surplus machinery sales afforded by price trends.

The Washington office recently estimated that WAA holds approximately 100,000 tons of potential iron and steel scrap in the form of obsolete and special-purpose machine tools, industrial equipment, and other metal products. On this basis, it may be presumed that Region V holds about 15,000 tons of such scrap since this region has 15% of the total WAA inventory of machine tools, industrial machinery, and other metal products. The market for iron and steel scrap is still very good. Large steel mills are still generally limiting their scrap purchases to a basic minimum in an effort to prevent further increases in scrap prices, but the effectiveness of this action has been largely nullified by the continued large-scale buying on the part of smaller steel mills and foundries. As a result, iron and steel scrap prices have not changed appreciably in the last month. It is well to note that scrap-steel prices are still 30% higher than they were a year ago and scrap-iron prices 60% higher.

Prices on most types of non-ferrous metal scrap increased in January, but copper-scrap and brass-scrap prices declined in the first week of February. A shortage of virgin aluminum, which in turn has been due largely to a shortage of electric power for aluminum production, has increased the demand for aluminum scrap for refining purposes.

Conditions in the export market have not changed greatly in recent months. Most foreign nations would like to make large purchases in this country, but few of these countries have the funds with which to pay for such purchases. Those countries which probably offer the best market opportunities are: (1) Finland, Netherlands, Norway, Austria, Hiati, and the Philippines which have negotiated credit agreements with the Washington office of WAA to purchase surplus goods in this country, (2) Sweden, Switzerland, Spain, and Portugal whose financial resources were not depleted as seriously as were those of other European countries during the last war, (3) France, Italy, and Austria, the leading beneficiaries under the emergency-loan program recently enacted by Congress. It is possible, however, that all European countries, including those cited above, may refrain from using their limited funds for purchases from the United States, pending final determination of the amount of financial aid they will receive from the United States under the Marshall Plan.

Zone 3 Operations

Zone 3 operations for January 1948 are summarized in the following tables. The same Zone activities for each month in 1947 were covered in the recently issued "1947 Statistical Summary, Zone 3."

Table 3
Consumer & Capital Goods
January 1948

(in 000's of $)

	Chi.	Cin.	Clev.	Det.	Mpls.	Total Zone 3
Opening Inventory	186,892	80,769	79,580	104,228	18,314	469,783
Net Acquisitions	-43,577	3,450	33,485	2,485	155	-4,002
Sales	8,068	8,283	2,941	7,208	774	27,274
Other Disposals	5,626	2,926	8,323	9,229	2,143	28,247
Total Disposals	13,694	11,209	11,264	16,437	2,917	55,521
Disposal Target	22,518	10,638	8,200	10,962	1,674	54,000
Recovery Value	1,208	1,236	655	911	273	4,283
Recovery Rate (%)	15%	15%	22%	13%	35%	16%
Closing Inventory	129,621	73,010	101,801	90,276	15,552	410,260

Table 4
Real Property Operations
January 1948

(in 000's of $)

	Chi., Cin., Mpls., Lvle.	Clev.	Det.	Total Zone 3
Opening Inventory	525,708	216,834	48,127	790,669
Adjustments & Transfers	-69,906	20,252	-1	-49,655
Acquisitions	3	7,119	176	7,298
Disposals	51,584	778	251	52,613
Recovery Value	11,096	236	75	11,407
Rentals	334	111	240	685